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SALES & MARKETING MANAGEMENT

MARCH 1988
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THE AGONY AND THE EQUITY

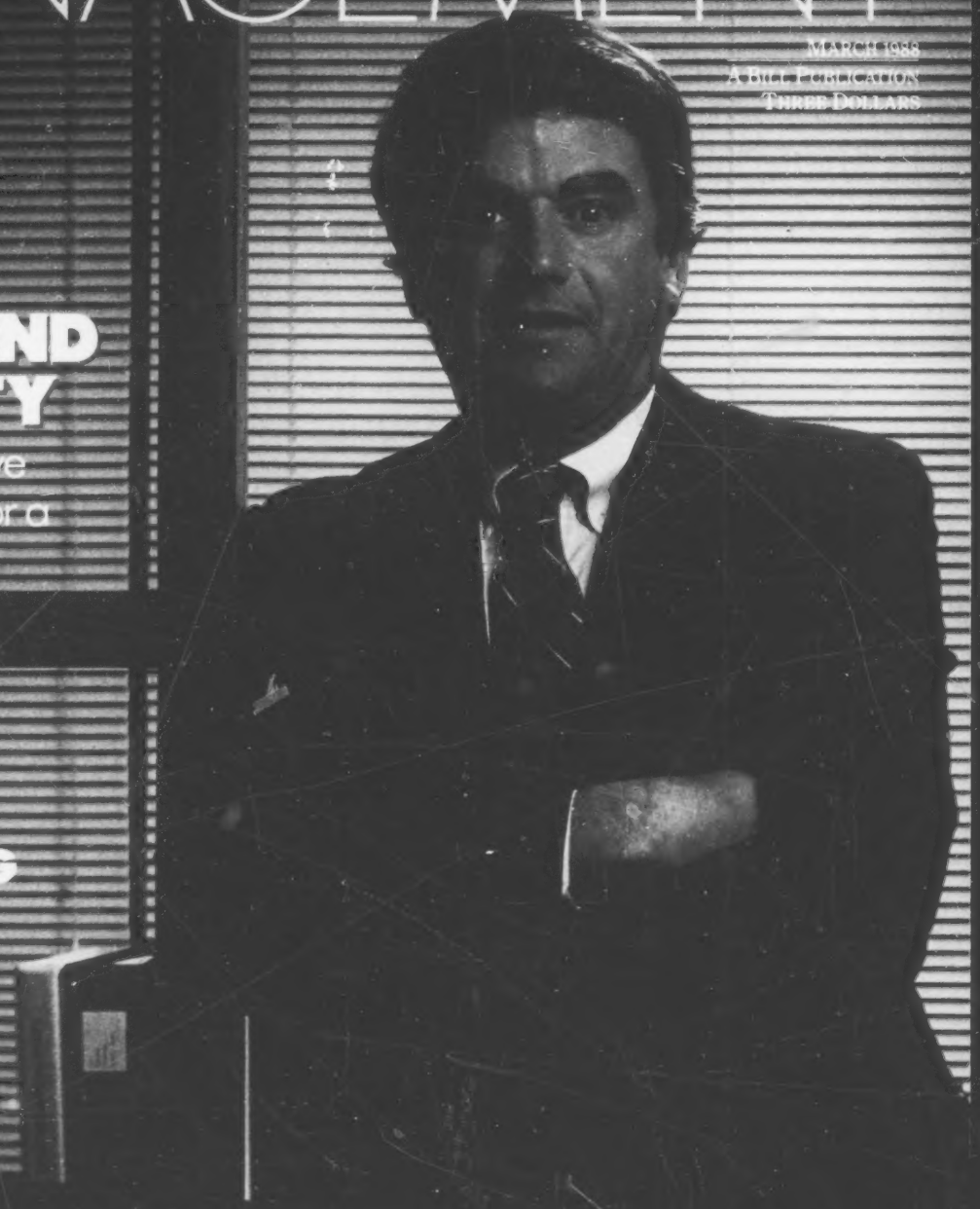
Marketers Who Give Up a Good Thing for a Piece of the Action

HIRING
Personal Selling Goes to College

GREAT SELLING JOBS
Want to Undercut A Caterpillar? Try an Earthworm

TRAINING
Interactive Video Is Here—At a Price

SPECIAL SUPPLEMENT
Test Marketing



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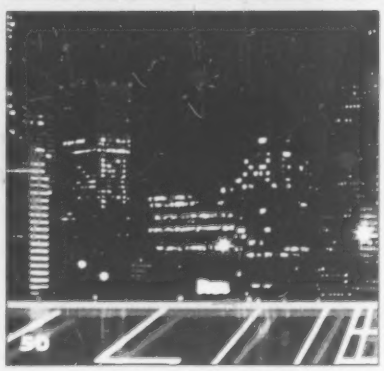

COVER PHOTO BY RICK FRIEDMAN/BLACK STAR

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EDITOR'S SIDE POCKET

WANTED: STRONG VIEWS

- Bankers are such lousy salesmen because selling results in more work for employees.
- Consumer packaged-goods marketers would do well to eliminate their store-level direct sales forces altogether.
- A sales manager has to be a trial lawyer, a drill sergeant, an artist—but, above all, a social worker.
- True pros don't sell their company's products; they actually sell *their own.*
- Today's manufacturers' representatives have fewer skills and less expertise than ever before.

Provocative premises, these, and if they sound familiar to you—well, they should. All appeared as recent installments in our "Viewpoint" department. We want this department to be a place where readers can exchange ideas, share experiences and opinions.

Now I know from my own experience that men and women in sales and marketing hold independent views that they are not at all shy about expressing. Yet I also know that many of the most accomplished talkers get stage fright when faced with a blank sheet of paper. If you identify with that reaction, read on.

In writing for "Viewpoint," what's more important is what you say, not how you say it. By that I mean we don't expect your writing to be at a professional level; we'll take care of that in the editing, and you'll be pleased by the results.

So don't hesitate. Take the plunge. Don't worry about perfection, don't seek bon mots that will knock our hats off, don't agonize over the "right" word—there is none. Just let us have it, in your own words.

What do you get for your efforts? A modest honorarium. The pleasure of seeing your name and face in print. A bit of fame, if fleeting. Most of all, the satisfaction you get when you "put it in writing."

What do we get? Well, ever since last fall, when we presented the new *Sales & Marketing Management*, we've undergone a revolution of rising expectations. We expect more from our readers—and they invariably deliver. We hope you can say the same of us. If there is an "expectations paradox" in magazine publishing (see the "Viewpoint" on page 8), we haven't come across it yet.

Speaking of expectations reminds me of a recent breakfast with Sydney Biddle Barrows. Got your attention with that, did I? Here I must confess I wasn't the only one to break buns with the Mayflower Madam; I'd guess there were about 100 of us, all hanging on to her every. Her presentation—hey, this was no casual affair—was titled "Marketing a High Cost Service."

Miss Barrows cer ainly met our expectations. She is quick, amusing, and has the knack of making her former occupation seem as sexy as skipping through the fields with Tinker Bell. If there is anything ugly or degrading about prostitution (come to think of it, I don't think that word was even mentioned), you wouldn't have learned about it from her.

Afterward in the elevator, a guy who looked like a deacon said to no one in particular: "You've got to hand it to her, she had everything—a market-driven product, quality control, good advertising. Altogether as good an example as I've ever seen of niche marketing."

SALES & MARKETING MANAGEMENT

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DEMOGRAPHICS IN ACTION

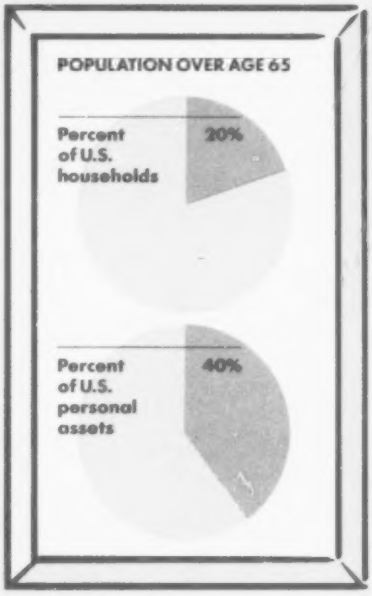
IT ONLY GETS BETTER FOR AGING BOOMERS

INCOME CLASS	1985	2000	CHANGE IN % PTS.
Under $15,000	19.6%	14.8%	−4.8
$15,000-$24,999	19.4%	12.8%	−6.6
$25,000-$34,999	19.9%	16.0%	−3.9
$35,000-$49,999	21.3%	21.4%	+0.1
$50,000-$74,999	14.3%	22.1%	+7.8
$75,000 & over	5.5%	12.9%	+7.4

Percent of Households Age 35-50 by Income Class

Like wine, income will improve with age for Baby Boomers, who have created new markets at each stage of their development. Fabian Linden, executive director of the Conference Board's consumer research center, says that for marketers "this has broad implications, ranging from product design, advertising, and media, all the way to the point of sale."

Note: Figures expressed in constant 1984 dollars.



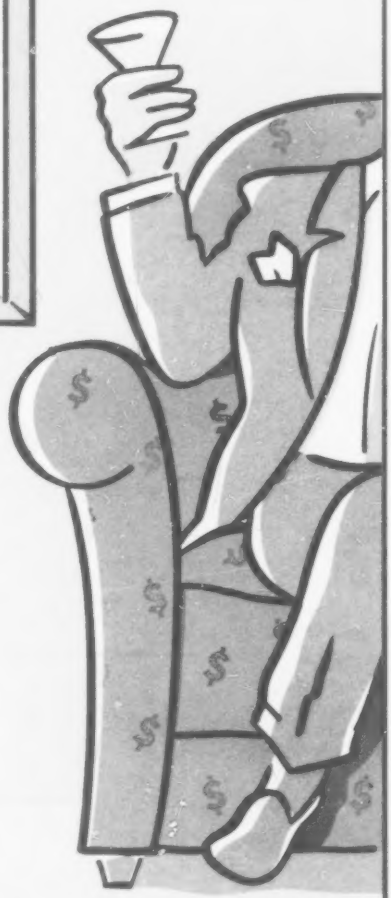
Parents of Boomers Have It Best

Currently, three out of four families over the age of 65 own their homes, and most have already paid off their mortgages. "Never before has a retiring generation been so well-heeled," says the Conference Board's Fabian Linden. As for their Baby Boomer children, he points out, "never before have so many been destined to inherit so much."

PERCENT OF POPULATION AGE 25-34	
Anchorage, AK	24.9
Boulder-Longmont, CO	23.8
Iowa City, IA	23.4
Ann Arbor, MI	23.3
Madison, WI	22.4
Fort Collins-Loveland, CO	22.1
Santa Cruz, CA	22.1
Austin, TX	21.9
Houston, TX	21.9
Denver, CO	21.8

Today's Share-of-Boomer Strongholds

The heart of the Baby Boom, those currently between the ages of 25 and 34, can usually be found in and around metros where the nation's largest colleges and universities are located. According to data from S&MM's *1987 Survey of Buying Power*, these 10 metropolitan areas have the highest percentages of 25-34 year olds of all metros nationwide, well above the comparable U.S. figure of 17.5%. However, it's a safe bet that most of these Boomers will be moving on as they enter their prime income-earning years between now and the end of the decade.



Sources: "The Conference Board: Baby Boomers in Midpassage; Sales and Marketing Management's 1987 Survey of Buying Power

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INTERNATIONAL:

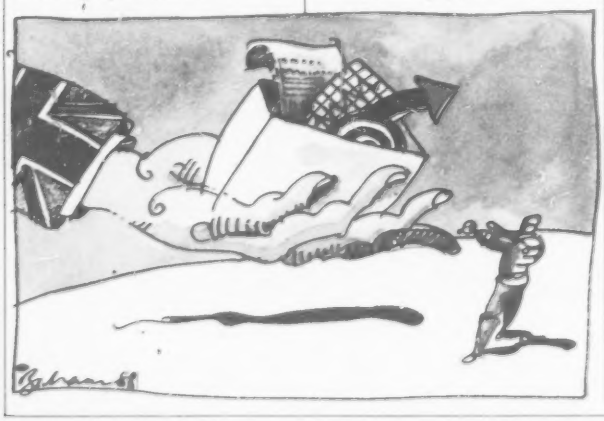
A TURNKEY APPROACH TO EUROPEAN MARKETS OPENS THE DOOR

Although the falling dollar makes U.S. products competitive in international markets, small and midsize companies fail to exploit this because of the complexities and paperwork, the inability to find good distributors, or the costs of setting up a foreign subsidiary. Ferrari Computer Services Ltd., a British holding company with revenues of $30 million, sees this failure as a market opportunity. It's offering U.S. and Canadian firms with sales in the $10 million-$15 million range a comprehensive package of marketing, distribution, advertising, administrative services, and small-scale assembly for gaining entry into European markets. The package blends Ferrari's in-house services and those of several third-party organizations.

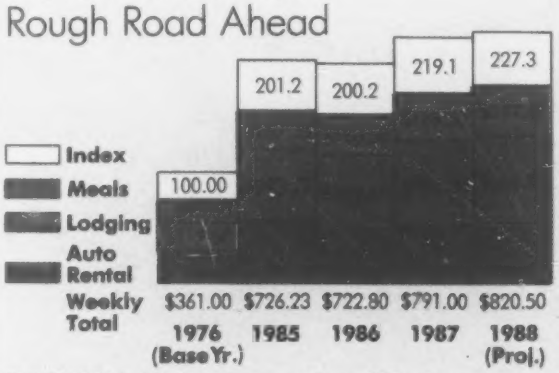
Robert Denton, 39, vice president of Ferrari's Computer Packaging Group, which is marketing HomeBase, says the package includes: market analysis and a business plan, handled by marketing consultant Regis McKenna; advertising by Acme Media, a Saatchi and Saatchi company, and MD&A ad agency; legal and financial services by Ernst & Whinney; office services by Drake International; relocation help by British Airways; and distribution and warehousing by Ferrari.

Denton is targeting outfits with a first-year potential of $1.65 million in sales in England. Despite the hefty price tag (the complete package comes to $486,750), he insists that "because clients will be able to sell direct to dealers in the U.K., they'll save $495,000 in distributor margins, which more than covers their investment." He also claims that "Ferrari can have the operation in business in six weeks, compared to the six months it takes an American company to handle just the legal work." Ferrari expects to earn $80,000 for each client it secures.

As part of the agreement, American clients, who sign one-year contracts, must base a full-time sales executive in England because, Denton says, "that demonstrates the company is serious about developing the European market, and we need someone who will know whose butt to kick before small problems become big ones." So far, Southwestern Bell and Scientific Micro Systems, the Mountain View, CA, peripherals maker, have signed on, and "three others have given a verbal yes," Denton claims. Canada's Ontario provincial government is dickering to have HomeBase handle 11 local firms. Denton's goal: 20 clients by year-end.



Travel Data Reflects Rough Road Ahead



SOURCE: *1988 Sales & Marketing Management Survey of Selling Costs.*

DETERMINING DATA

BUSINESS TRAVEL: UP, UP, AND AWAY

According to Sales & Marketing Management's *1988 Survey of Selling Costs*, all three expense categories—meals, lodging, and auto rental—will climb in 1988. However, this year's 3% increase in car rentals is less than half of last year's. Factors prompting the increases include a consolidation within the hotel industry as larger chains take over smaller ones, the building of fewer new rooms, the likelihood that auto rental firms will avoid a pricing war, and increases in what restaurants will pay this year for labor, overhead, and wholesale food prices.

Meanwhile, business travelers may well get a break on their air travel. Discount fares will continue to be a popular option among the airlines. But, notes American Express Travel Related Services, the carriers expect fuel and wage costs to go up, which could send fares soaring. In the accompanying chart, field expenses are shown for 1985-87 (using 1976 as a base year) as well as projections for this year.

The Selling Cost Index is calculated by multiplying the national averages for the three SCI components—meals, lodging, and auto rental—by five days (a typical week in the field), producing the individual weekly totals that, added together, result in a combined weekly total for the three components. For 1987, the formula would be $189.50 plus $354.00 plus $247.50, which equals $791.00. The SCI is then calculated by dividing the 1976 base year total into the corresponding weekly total, producing the index figure for each subsequent year. This year's projection is based on data furnished by Smith Travel Research, the National Restaurant Assn., and Runzheimer International, Rochester, WI.

RETAILING

WOULD YOU BELIEVE McSEARS?

Marriage may be out of the question for, say, a motel chain and a fast-food franchise, but they can still have a meaningful relationship. In fact, many of them do—along with convenience stores, mass merchandisers, and even department stores.

It's called integrated retailing, and it seems destined to take hold as operating costs climb and desirable retail sites become scarce. In the past few months, for instance, combined ventures have blossomed for Holiday Inns and Red Lobster and for Taco John's International and Bresler's 33 Flavors.

ILLUSTRATION BY YVONNE BUCHANAN

COMPUTERS IN SALES & MARKETING

USING YOUR PC AS A FAX MACHINE

BY THAYER C. TAYLOR
SENIOR EDITOR

Winning a faster payback from your PC investment often hinges on how adept you are in taking advantage of those openings (a.k.a. ports) at the back of your desktop; they are the gateways to expanding the machine's versatility beyond number crunching and letter writing. One of the newer attachments you can hook onto your PC is a fax emulation board that enables it to double as a facsimile machine.

Fax machines are widely used to speed communications between remote locations. There'll be 1,200,000 of them in place by the end of the year, according to International Resource Development, a New Canaan, CT, research firm. Companies striving for cost-effective communications are giving fax a new twist by using PCs, equipped with the proper expansion board, to send files to a receiving fax machine or to another PC equipped with a fax-emulation board. Generally costing under $1,000, the boards eliminate the need for a sending fax unit, which cost $2,000 to $5,000.

Alan Leavy, manager of telecommunications hardware planning for F.W. Woolworth, New York City, believes PC-fax saves him "time, labor, and money" when he distributes memos to committees based in 15 scattered locations. His IBM PC/AT is equipped with GammaFax, a $995 hardware/software package from GammaLink, Palo Alto, CA, that consists of a single printed circuit board and menu-driven communications software.

Before Leavy installed GammaFax, transmitting memos via Woolworth's fax network meant his secretary first made a printout of the message to be sent, filled out a form for each addressee, traveled several floors to the facsimile room, stood in line to wait her turn, then repeatedly put the same memo through the fax machine until all addressees were accommodated. Now, Leavy sends his memos and other communications without leaving his desk. Once the memo is typed and the proper menu option picked, GammaFax does the rest, distributing it via dial-up telephone lines to multiple fax machines at a rate of 30 seconds per page. (The basic PC takes up to three minutes per page.) Receipt of the document by each fax is acknowledged with an on-screen message.

Leavy says the PC-fax program boasts other advantages over conventional fax. For one thing, he says, by taking advantage of the GammaFax's "store-and-forward" capability, he can specify the time of day or night the document is to go out and "send documents when traffic on our private switching network is at its lowest level, thus saving on phone rates." He also notes that because the PC replaces the optical scanning step involved with conventional fax, there's less degradation of print quality, resulting in documents "that are much crisper in appearance, far easier to read."

Another GammaFax user, Phoenix-based distributor High-Tech Resources, uses a PC to give the sales orders it sends to accounts a personal touch. President L. R. Marr uses the board's cut-and-paste feature to merge the orders with his letterhead and signature, which are stored in the computer. Each night, the PC automatically dials fax machines at the accounts to transmit the orders, using the telephone numbers stored in the computer.

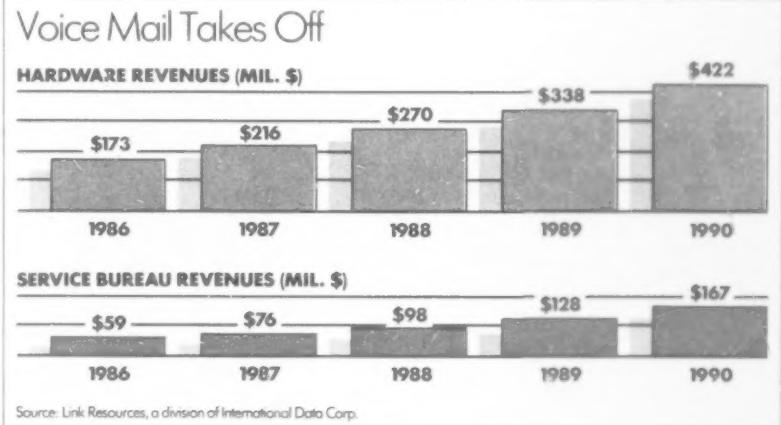
VOICE MAIL BARRIERS TOPPLING

Reduction of the two biggest barriers, cost and limited usefulness, are making computerized voice mail (a.k.a. voice messaging) more attractive as a selling aid to small- and medium-size businesses, says Fred A. Rose, president of Voice Computing, Madison, WI. "While, generally speaking, Fortune 500 companies embraced voice mail enthusiastically," he claims, "up to now computer-based voice messaging has remained a Star Trek fantasy for other companies."

Minimum investment for a voice mail system has tumbled from around $300,000 to about $30,000, Rose notes. "With the latest PC add-on hardware, including voice mail boards, the price is now about $1,300 for those businesses that already have a PC installed."

Rose says voice messaging's usefulness has been broadened by software that provides other functions, such as selling services, sales prospecting, follow-up selling, and information to clients. "Large businesses often found that by replacing the ubiquitous memo and eliminating telephone tag, voice mail justified itself for internal communication alone, especially when a large field sales force was involved. However, this didn't suffice for smaller businesses, whose communication lines are short and involve relatively few people."

As one example of the technique's greater use in sales, Rose notes that using touch-tone inputs voice mail can be used to take phone orders when a clerk is not available or during nonbusiness hours. He cites this scenario: "The telephone computer recognizes the caller's ID code and asks 'Would you like to place an order? If so, press one, otherwise press zero.' The caller



presses one and follows the voice instructions in the audio memo to fill out the order."

Distributing information to prospects and clients is another selling aid voice mail performs, Rose says. "A real estate agency can put this message on its PC: 'This is the Williams Real Estate Agency computer. It is after hours and no one is here. If you have an ID code, enter it now. If you have a touch-tone phone, you can hear a variety of information on current listings, mortgage rates, financing options, even tax advice. To do so, press the star key on your telephone and follow instructions.' "

SALES SOFTWARE CONFERENCE SHIFTS FOCUS

This year's 4th Annual Sales & Marketing Software Conference, set for May 24 at Babson College, Wellesley, will change its orientation from vendor to user. Prof. Hubert D. Hennessey, conference organizer and chairman, says, "The first three conferences focused on software vendors to give sales and marketing people an understanding of what was out there. Now that differences in software are more readily understood, the need is to help marketers sort out the software most useful to them, install new systems or update old ones, and solve problems."

Four user panels will provide case histories on applications of sales and marketing software programs. While the emphasis will be on PC-based software, Hennessey says, mini and mainframe programs will also be touched on. In addition, several vendors will demonstrate their products. Conference sponsors are Babson College and the Sales & Marketing Executives of Greater Boston. For details, call 617-431-1088.

E-MAIL TO LINK HOME AND OFFICE

As an increasing number of professionals, including salespeople, use PCs in their homes, electronic mail will become an even more important link between remotely located workers and district offices. In a new report, *Electronic Messaging 1987*, Link Resources, a New York City research firm, estimates that there'll be 45-50 million PCs in businesses and homes that can be used as electronic mail boxes by 1990.

The report also suggests that

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there will be 100,491 internal E-mail systems installed in companies by 1991. Noting that not all of the systems will be compatible, the current *TC Report*, published by Electronic Services Unlimited, a Link unit, says that E-mail service bureaus will play a pivotal role. Their "prime function is to overcome incompatibility problems of different systems," according to the report. "This means remote and on-site workers can use E-mail to communicate with people who have different software in their own company, as well as people with E-mail in other companies."

EDI MOVING INTO THE MAINSTREAM

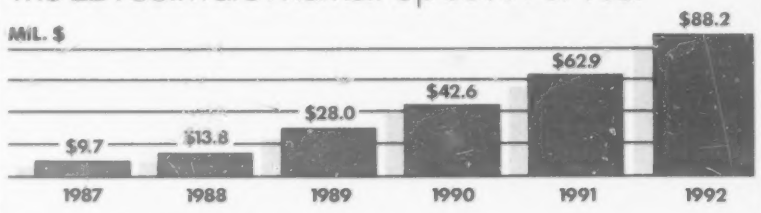
"Soon, doing business without EDI will be like doing business without the telephone," says Edward Lucente, head of IBM's Information Systems Group. Electronic Data Interchange, or computer-to-computer transfer of information in standardized, machine-readable formats, is rapidly moving from technical oddity to business necessity. Lucente told the 19th National EDI Systems Forum that by 1991 IBM's EDI plans will affect 2,000 suppliers, representing 80% of the company's products. Big Blue hopes to save $60 million in the next five years as a result.

Among the promised benefits speeding EDI acceptance, says Pat Tinley, vice president of Management Science of America, an Atlanta software firm, are more efficient inventory restocking, more responsive customer service, better control of cash flow, and the generation of working capital. Tinley claims that an EDI user can create a sales order and receive confirmation in 10 minutes vs. the usual 7 to 10 days.

Increased competition by EDI vendors is also helping establish the technology's popularity. To attract smaller companies, McDonnell Douglas Information Systems Group, St. Louis, recently offered six months' free service on its EDI*Net network. As part of a marketing plan to pick leading companies to market its EDI EXPRESS System network in their industries, General Electric Information Services, Rockville, MD, recently named Baxter Travenol Laboratories—reportedly the world's largest manufacturer/distributor of medical/surgical supplies with its own EDI program, ASAP Express—sales agent for the hospital industry.

Also, all North American and U.S.-based Japanese auto manufacturers now require suppliers who want contracts to use EDI. To give its clients a chance at these contracts, Ask Computer Systems, Mountain View,

The EDI Software Market: Up 56% Per Year



Source: Input, *U.S. EDI Software Markets: 1987-92*

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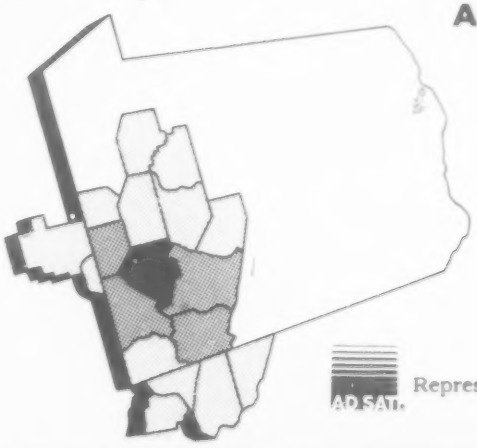

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CA, a leading vendor of manufacturing software systems, recently added an EDI function to the newest release of its ManMan/Mfg package.

One of the more recent marketers to join the EDI bandwagon is Levi Strauss, San Francisco, which added RIVET (Retailers Inventory Valuation and EDI Transmission) to its LeviLink EDI program, unveiled last fall. LeviLink, used by eight chains, allows the electronic exchange of purchase orders, invoices, and packing slips, but also can be used for maintaining point-of-sale information and analyzing market trends. Reportedly, LeviLink now handles one-fourth of Levi Strauss's incoming orders.

Long popular in the transportation, food, and automotive fields, EDI is making headway in chemical, distribution, electrical, health-care, metals, paper, textile, and warehousing industries and even among federal government agencies. The EDI market is soaring 88% a year, from $46 million in 1986 to a projected $1.9 billion by 1992, says Input, the Mountain View, CA, research firm, and IBM's Lucente sees one-third of all business documents moving via EDI by the mid-1990s.

Noting that "software forms the core of successful EDI implementation," the recent Input report, *U.S. EDI Software Markets: 1987-92*, acknowledges that some firms "tend to wait for EDI software prices to come down" but urges "early implementation to realize the benefits. Savings gained will likely be greater than the cost differential involved in waiting for less expensive products."

MORE BAR CODING IN SALES REP'S FUTURE

The increasing need for timely information on product movement and in-store stock will see more sales representatives toting hand-held point-of-origin (POO) data collection devices that read bar codes. A survey by Telxon, the Akron, OH, maker of hand-held microcomputer systems, reveals that 18.4% of 354 respondents presently use some form of electronic POO collection units and another 10.2% plan to adopt them within the next five years.

Sales and marketing departments lead the way in use. Next in line: warehousing and distribution. A strong majority feed the data collected into their information systems, while just under one-third use the devices as stand-alones. The rest use both approaches.

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